

House File 2251 - Introduced

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BY ISENHART

A BILL FOR

1 An Act providing for a tax credit for the repayment of certain
2 student loan debt and including applicability provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 261.113 Educational Opportunities
2 Tax Credit Program.

3 1. For purposes of this section, unless the context
4 otherwise requires:

5 a. "Commission" means the college student aid commission.

6 b. "Eligible institution" means a postsecondary educational
7 institution in this state that meets the requirements of the
8 provisions of the federal Higher Education Act of 1965 for
9 student participation in the federal interest subsidy program
10 and the requirements prescribed by rule of the commission.

11 c. "Eligible lender" means the same as defined in section
12 261.35.

13 d. "Eligible student" means a person who has entered into a
14 program agreement that meets the requirements of subsections 4
15 and 5.

16 e. "Program" means the educational opportunities tax credit
17 program established in this section.

18 f. "Program agreement" means an agreement to attend an
19 eligible institution entered into between the commission and a
20 student pursuant to subsections 4 and 5.

21 g. "Qualified student debt" means the maximum amount of an
22 eligible student's loan principal as determined pursuant to
23 subsection 7.

24 2. The commission shall establish and administer an
25 educational opportunities tax credit program pursuant to this
26 section. The purpose of the program is to reimburse eligible
27 students who agree to remain Iowa residents, or employers
28 of such students, for the amount of qualified student debt
29 borrowed and repaid in order to attend an eligible institution.

30 3. The commission shall coordinate with eligible
31 institutions, eligible students, eligible lenders, and the
32 department of revenue in the administration of the program.

33 4. The commission shall enter into a program agreement with
34 a student wishing to enroll at an eligible institution and
35 participate in the program. As part of the program agreement,

1 the student shall covenant and agree to the following:

2 *a.* That the person is an Iowa resident, will remain a
3 resident while pursuing a degree from an eligible institution,
4 and will be for the entirety of each tax year for which the
5 person wishes to claim a tax credit under the program. A
6 person not meeting the residency requirements of this paragraph
7 is not eligible to claim the tax credit.

8 *b.* To enroll in a degree program at an eligible
9 institution. The degree to be pursued and the time allowed
10 for its completion shall be determined under the terms of
11 the agreement. A student shall not be required to complete
12 the degree at the eligible institution at which the student
13 initially enrolled provided all coursework for the degree is
14 completed at eligible institutions.

15 *c.* To keep all necessary financial and educational records
16 relating to the degree pursued and the qualified student debt
17 incurred for a period of not less than three years after the
18 last tax year in which a tax credit under the program is
19 claimed.

20 *d.* That only qualified student debt is eligible to be
21 claimed as a tax credit under the program.

22 *e.* That any acceleration in the repayment schedule of the
23 qualified student debt will result in a forfeiture of the tax
24 credit in that tax year and all subsequent tax years.

25 *f.* To refinance the loans comprising qualified student debt
26 only if they remain separate from all other debt and if both
27 the annual repayments and the total remaining indebtedness
28 under the loan's amortization schedule will be reduced by such
29 refinancing.

30 5. A student shall not enter into more than one program
31 agreement or claim the tax credit available under the program
32 more than once.

33 6. An eligible institution shall notify the commission
34 when an eligible student has completed applicable degree
35 requirements contained in the program agreement's covenants and

1 shall certify to the commission the eligible student's amount
2 of qualified student debt.

3 7. a. An eligible student's qualified student debt shall
4 be the lesser of the following:

5 (1) The total amount of principal borrowed from an eligible
6 lender for purposes of paying the amount of tuition and
7 mandatory fees required in order to obtain a degree from an
8 eligible institution.

9 (2) The standard principal amount. For purposes of this
10 section, "*standard principal amount*" means the total average
11 annual amount of in-state tuition and mandatory fees charged
12 for attendance at the institutions of higher learning under
13 the control of the state board of regents during the time the
14 eligible student attended an eligible institution.

15 b. Only loans included as part of a financial aid package
16 awarded to the eligible student by an eligible institution
17 shall be included in the amount of qualified student debt
18 determined pursuant to this subsection.

19 8. After verifying the fulfillment of the program
20 agreement's covenants and certifying the amount of qualified
21 student debt, the commission shall issue to the eligible
22 student a tax credit certificate which shall contain the
23 eligible student's name, address, tax identification number,
24 the amount of the tax credit, and any other information
25 required by the department of revenue.

26 9. The commission, in consultation with the department of
27 revenue, shall adopt rules pursuant to chapter 17A for the
28 implementation and administration of the program.

29 10. a. (1) An educational opportunities tax credit shall
30 be allowed against the taxes imposed in chapter 422, divisions
31 II, III, and V, and in chapter 432, and against the moneys and
32 credits tax imposed in section 533.329, for the repayment of
33 qualified student debt.

34 (2) An individual may claim the tax credit under this
35 section of a partnership, limited liability company, S

1 corporation, estate, or trust electing to have income taxed
2 directly to the individual. The amount claimed by the
3 individual shall be based upon the pro rata share of the
4 individual's earnings from the partnership, limited liability
5 company, S corporation, estate, or trust.

6 *b.* (1) An employer may claim a tax credit under this
7 section for payments made directly to an eligible lender on
8 behalf of an eligible student with qualified student debt who
9 has been issued a tax credit certificate pursuant to this
10 section.

11 (2) Such an employer may claim the tax credit in an amount
12 equal to the payments made by the employer of qualified student
13 debt that came due during the eligible student's period of
14 employment with the employer.

15 (3) The employer may require a person to provide a copy of
16 the program agreement and a copy of the tax credit certificate
17 issued pursuant to this section in order to verify that a
18 person is an eligible student with qualified student debt.

19 (4) The employer claiming a tax credit under the program
20 shall retain all relevant records for at least three tax years
21 following the last tax year in which the tax credit is claimed.

22 *c.* An eligible student and the eligible student's employer
23 may both claim tax credits for payments of qualified student
24 debt, but the same payment of qualified student debt shall not
25 be claimed by more than one taxpayer.

26 *d.* Any tax credit in excess of the taxpayer's liability
27 for the tax year is not refundable but may be credited to the
28 tax liability for the following ten years or until depleted,
29 whichever is earlier. A tax credit shall not be carried back
30 to a tax year prior to the tax year in which the taxpayer first
31 receives the tax credit.

32 *e.* An eligible student or employer may claim the tax credit
33 only if the eligible student is in compliance with the program
34 agreement, is an Iowa resident while working for the employer
35 located in Iowa, and is not in arrears on the repayment

1 schedule for the qualified student debt.

2 11. *a.* (1) To claim the educational opportunities
3 tax credit, an eligible student must attach the tax credit
4 certificate issued by the commission to the taxpayer's tax
5 return.

6 (2) To claim the educational opportunities tax credit for
7 payments made on behalf of an eligible student, a taxpayer
8 shall attach a copy of the tax credit certificate issued to the
9 eligible student and any information required by the department
10 of revenue pertaining to the payments made to an eligible
11 lender.

12 *b.* The tax credit certificate or certificates attached
13 to the taxpayer's tax return shall be issued in the eligible
14 student's name, expire on or after the last day of the taxable
15 year for which the taxpayer is claiming the tax credit, and
16 show a tax credit amount equal to or greater than the tax
17 credit claimed on the taxpayer's tax return.

18 *c.* The tax credit certificate, unless rescinded by the
19 commission, shall be accepted by the department of revenue as
20 payment for taxes imposed pursuant to chapter 422, divisions
21 II, III, and V, and in chapter 432, and for the moneys and
22 credits tax imposed in section 533.329, subject to any
23 conditions or restrictions placed by the commission upon
24 the face of the tax credit certificate and subject to the
25 limitations of this section.

26 *d.* Except as otherwise provided in this section, a tax
27 credit certificate is not transferable to any person or entity.

28 12. An eligible student who exercises the forbearance
29 or deferment provisions of a loan agreement that comprises
30 a portion of the student's qualified student debt does not
31 forfeit the right to claim the tax credit available under this
32 section. The department of revenue shall toll the carryforward
33 provisions of subsection 10, paragraph "d", for any student
34 exercising such forbearance or deferment provisions.

35 13. The department of revenue, in consultation with the

1 commission, may adopt rules pursuant to chapter 17A for the
2 implementation of subsections 10 through 12.

3 Sec. 2. NEW SECTION. **422.11R Educational opportunities tax**
4 **credit.**

5 The taxes imposed under this division, less the credits
6 allowed under section 422.12, shall be reduced by an
7 educational opportunities tax credit authorized pursuant to
8 section 261.113.

9 Sec. 3. Section 422.33, Code Supplement 2011, is amended by
10 adding the following new subsection:

11 NEW SUBSECTION. 29. The taxes imposed under this division
12 shall be reduced by an educational opportunities tax credit
13 authorized pursuant to section 261.113.

14 Sec. 4. Section 422.60, Code Supplement 2011, is amended by
15 adding the following new subsection:

16 NEW SUBSECTION. 14. The taxes imposed under this division
17 shall be reduced by an educational opportunities tax credit
18 authorized pursuant to section 261.113.

19 Sec. 5. NEW SECTION. **432.12N Educational opportunities tax**
20 **credit.**

21 The taxes imposed under this chapter shall be reduced by an
22 educational opportunities tax credit authorized pursuant to
23 section 261.113.

24 Sec. 6. Section 533.329, subsection 2, Code Supplement
25 2011, is amended by adding the following new paragraph:

26 NEW PARAGRAPH. *m.* The moneys and credits tax imposed under
27 this section shall be reduced by an educational opportunities
28 tax credit authorized pursuant to section 261.113.

29 Sec. 7. **APPLICABILITY.** This Act applies to tax years
30 beginning on or after January 1, 2013, for qualified student
31 debt incurred on or after that date.

32 **EXPLANATION**

33 This bill provides for the establishment of an educational
34 opportunities tax credit program to be administered by the
35 college student aid commission and the department of revenue.

1 The purpose of the program is to provide a tax credit to
2 eligible students who agree to remain Iowa residents after
3 graduation, or their employers, for payments made toward the
4 student's qualified student debt. For purposes of the bill,
5 qualified student debt is either the total amount of principal
6 borrowed by the student or the total average annual amount of
7 in-state tuition charged to attend one of the institutions
8 of higher learning under the control of the state board of
9 regents, whichever is less. Only those loans included as part
10 of an eligible student's financial aid package from an eligible
11 institution may be included in the amount of qualified student
12 debt.

13 To be eligible for the program, a student must be an Iowa
14 resident, agree to remain so while pursuing a degree at an
15 eligible institution, and agree to be an Iowa resident for
16 the entirety of any tax year in which the student seeks to
17 claim the tax credit available under the program. An eligible
18 student must also agree to pursue a degree program at an
19 eligible institution. For purposes of the bill, an eligible
20 institution is a postsecondary educational institution in this
21 state which meets the requirements of the provisions of the
22 federal Higher Education Act of 1965 for student participation
23 in the federal interest subsidy program and the requirements
24 prescribed by rule of the commission. An eligible student
25 must enter into an agreement with the college student aid
26 commission for the completion of the degree program and the
27 certification of the amount of qualified student debt incurred
28 by the student.

29 The commission is required to coordinate with eligible
30 institutions, eligible students, eligible lenders, and the
31 department of revenue in the administration of the program.
32 When an eligible student has completed the degree required
33 by the agreement, the eligible institution the student
34 was attending must notify the commission and certify to
35 the commission the amount of qualified student debt. Upon

1 verification of the completion of the degree and certification
2 of the amount of qualified student debt, the commission must
3 issue a tax credit certificate to the student.

4 The student may claim the amount of qualified student debt as
5 a credit against state income taxes, and may carry the credit
6 forward for up to 10 years. An employer may claim the portion
7 of the credit for payments made directly to eligible lenders
8 on the student's behalf to the extent that such payments are
9 due under the terms of the loan during the student's period of
10 employment with that employer. The credit is not refundable
11 or transferable and may not be carried back to prior tax
12 years. The credit is only available if the eligible student
13 is in compliance with the agreement entered into with the
14 college student aid commission, is an Iowa resident working
15 for the employer located in Iowa, and is not in arrears on the
16 repayment schedule for the qualified student debt.

17 The bill provides for rulemaking by both the college
18 student aid commission and the department of revenue for the
19 administration of the program.

20 The bill applies to tax years beginning on or after January
21 1, 2013, for qualified student debt incurred on or after that
22 date.